



# ANNUAL REPORT

## 2006-07

### CELESTIAL LABS LIMITED

Plot No.231 A, MLA Colony, Road No. 12, Banjara Hills,

Hyderabad - 500 034, A.P., India

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Mr. A. N. Singh	Managing Director
Mr. Subhash Chadra Srivastava	Director
Mrs. Padma Singh	Director
Dr. D. C. Sastry	Director
Mr. K. C. Sarma	Director

## REGISTERED OFFICE

Plot No. 231 A,  
M L A Colony  
Road No. 12, Banjara Hills  
Hyderabad 500 034,  
A.P. India  
Phones: +91 40 23540008  
Fax : 091 40 23542844

## STATUTORY AUDITORS

M/s. G.V. Rao & Co  
Chartered Accountants  
G/4, Santi Apartments  
Anand Nagar Colony  
Khairatabad  
Hyderabad 500 004

## BANKERS

State Bank of India Industrial Finance Branch Somajiguda Hyderabad-500 082.	ICICI Bank Limited Road No. 33 Jubilee Hills Hyderabad 500 033	Punjab National Bank MID Corporate Branch, Sufi Chambers, Road No.1, Banjara Hills, Hyderabad-500 034.
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# NOTICE

Notice is hereby given that the Ninth Annual General Meeting of the Company will be held at its Registered Office at Plot No.231 A, M L A Colony, Road No.12, Banjara Hills, Hyderabad 500 034, Andhra Pradesh, on Thursday, the 10th day of May 2007 at 11 A.M. to transact the following business:

## Ordinary Business:

1. To receive, consider and adopt the Profit & Loss Account for the financial year ended 31st March 2007, Balance Sheet on that date along with the Reports of the Directors' and Auditors' thereon.
2. To appoint Smt. Padma Singh who will retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.
3. To Appoint M/s. G. V. Rao & Co, Chartered Accountants to hold the office from the conclusion this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

## Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy or proxies so appointed need not be a member or members, as the case may be, of the company. The proxies to be effective, the instrument appointing the proxy and the power of attorney or other authority, if any, under which it is signed or a notarised copy of that power of attorney or authority shall be deposited at the registered office of the company not later than 48 hours before the time fixed for commencement of the meeting.
2. Members are requested to notify to the company immediately any change in their address or transfer/transmission of shares, as the register of Members and Share Transfer books of the company will be closed from \_\_\_\_\_ to \_\_\_\_\_ (both days inclusive) in connection with the Annual General meeting.

**BY order of the Board of Directors**

Place: Hyderabad  
Date : 12.04.2007

A. N. SINGH  
Managing Director

## DIRECTORS REPORT

Dear Members,

Your Directors have pleasure in presenting the Ninth Annual Report of your Company along with the audited Statement of Accounts for the financial year ended 31st March 2007. The Report also includes the Management Discussion and Analysis Report in accordance with the Guidelines on Corporate Governance and consolidated Financial Statements.

**The highlights of the financial results for the year 2006-07 in comparison to the year 2005-2006 are as follows:**

**(Rs. In Lakhs)**

Particulars	2006-07	2005-06
Sales	1412.76	1022.18
Profit before Interest and Depreciation	551.00	357.61
Depreciation	30.72	25.53
Profit Before Tax	520.29	332.07
Provision for Taxation	—	1.49
Deferred Tax	5.88	2.35
Net Profit for the year	514.41	328.23
Profit & Loss Account balance brought forward	891.10	562.87

### PERFORMANCE

During the year 2006-07 under review, your company has achieved a turnover of Rs. 1412.76 lakhs as compared to Rs. 1022.18 lakhs in the previous fiscal year 2005-06. The sales are higher by 38.21%. The growth has been achieved by offering services using bioinformatics techniques dedicated to life science sectors and also through cost saving methods. The EPS has also increased from 5.30 in 2005-06 to 8.30 in 2006-07.

### FUTURE OUTLOOK

Your Company is hopeful of better performance in the years to come since the company is developing the biotech products, which will be marketed globally.

### RECOGNITIONS

The company has applied for Income Tax concession for in-house R & D Centre expenditure at Hyderabad under section 35(2AB) of Income Tax Act.

### PUBLIC ISSUE

Your company is planning an expansion proposal for production of Enzymes, a biotech Products, Drug Molecule Development etc with complete layout plan of approximately Rs. 40 Crores, which is partly to be financed by way of Public Issue of 50,00,000 Equity Shares of the Company. The expansion programme has already been approved by the Board of Directors in the Board Meeting held on 22nd February 2006.



Your company has received permission from Bombay Stock Exchange Ltd, Mumbai on 29th Dec 2006 to use their name in the offer document as one of the Stock Exchanges to list the company's securities

Your company has also received permission from National Stock Exchange Limited, Mumbai on 13th March 2007 to use their names in the offer document as one of the Stock Exchanges to list the company's securities.

Your company has made an agreement with Central Depository Services (India) Limited (CDSL), Mumbai for dematerialization and allot an International Securities Identification Number (ISIN) for the aforesaid securities.

Your company has made an agreement with National Securities Depository Limited (NSDL), Mumbai for dematerialization and allot an International Securities Identification Number (ISIN) for the aforesaid securities.

## **CORPORATE GOVERNANCE**

The Auditor's Certificate on compliance with the mandatory requirements of Corporate Governance is given separately in the Annual Report.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

A detailed section of the Management Discussion and Analysis forms part of the Annual Report.

## **EMPLOYEE RELATIONS**

During the year under review, the company has enjoyed cordial relationship with almost all section of employees. The company believes that the employees play a vital role in increasing the turnover and profitability of the company and the strength of the company lies in harnessing the manpower in achieving sustained long-term growth in all spheres.

## **DIRECTORS**

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Smt. Padma Singh will retire at the ensuing Annual General Meeting and being eligible offer herself for re-appointment.

## **AUDITORS**

The existing Statutory Auditors, M/s. G.V. Rao & Company, Chartered Accounts retire at the ensuing Annual General Meeting and has confirmed their eligibility and willingness to accept office, if re-appointed.

## **DIVIDENDS**

Your Company is planning to declare 10% of dividend on the profits for the financial year 2006-07.

**CONSERVATION OF ENERGY, RESEARCH, DEVELOPMENT & INNOVATION - Not Applicable.****FOREIGN EXCHANGE EARNINGS AND OUTGO, PURSUANT TO SECTION 217(1)(E) OF THE COMPANIES ACT, 1956****(Rs. In Lakhs)**

	<b>2006-07</b>	<b>2005-06</b>
Expenditure In Foreign Currency	90.94	72.75
Earning In Foreign Exchange	1322.61	909.44

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement under section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility statement, it is hereby confirmed.

- That in the preparation of the accounts for the financial year ended 31st March 2007, the applicable accounting standards have been followed along with proper explanation.
- We have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the year under review.
- We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and from preventing and detecting fraud and other irregularities.
- We have prepared the accounts for the financial year ended 31st March 2007 on a going concern basis.

**HUMAN RESOURCES**

The Information required under section 217(2A) of the Companies Act, 1956 read with the companies (Particulars of Employees) (Amendment ) rules 2002, be treated as NIL as none of the employees of the company draw remuneration in excess of Rs. 2,00,000 P.M. No employee is related to any director of the Company.

**INTERNAL CONTROL SYSTEMS**

Your company has well-established procedures for internal control system commensurate with its size and operations. The organization is adequately staffed with qualified and experienced personnel for implementing and monitoring the internal control environment.

**ACKNOWLEDGEMENTS**

The Board of Directors wishes to place their gratitude to the Government, Bankers for their kind cooperation. The Board is extremely thankful to all the Shareholders, Employees, and Customers for the unstinted support.

**For and on behalf of the Board of Directors**

A. N. SINGH  
Managing Director

Dr. D.C. SASTRY  
Director

Place: Hyderabad  
Date :12.04.2007



# MANAGEMENT DISCUSSION & ANALYSIS

## OVERVIEW OF THE COMPANY PERFORMANCE

The Company outperformed the industry average in the year 2006-07. The combined all business segments of the company on a comparable basis, grew by a healthy 33% over the previous year. The substantial improvement could be attributed to a number of on-going initiatives undertaken by the management.

## Financials

The company has achieved a turnover of Rs. 1412.76 lakhs from sales and services and against the turnover of Rs. 1022.18 lakhs in previous fiscal year 2005-06. The sales are higher by 33%. The growth has been achieved through services made in biotechnology and bioinformatics and also through cost saving methods. The EPS has also increased from 5.30 in 2005-06 to 8.30 in 2006-07.

## Business Analysis

### Products

The Company has developed a de novo drug design tool "CELSUITE" to drug discovery in finding the lead molecules for drug discovery and protected the IPR by filing under the copy right/patent act. (Apprised and funded by Department of Science and Technology New Delhi)

Based on our in silico expertise (applying bio-informatics tools). The Company has developed a molecule to treat Leucoderma and multiple cancer and protected the IPR by filing the patent. The patent details have been discussed with Patent officials and the response is very favorable.

The cloning and purification under wet lab procedures are under progress with our collaborative Institute, Department of Microbiology, Osmania University, Hyderabad.

In the industrial biotechnology area, the company has signed the Technology transfer agreement with IMTECH CHANDIGARH (a very reputed CSIR organization) to manufacture and market initially two Enzymes, Alpha Amylase and Alkaline Protease in India and overseas.

The company is planning to set up a biotechnology facility to manufacture industrial enzymes. This facility would also include the research laboratories for carrying out further R & D activities to develop new candidates' drug molecules and license them to Interested Pharma and Bio Companies across the GLOBE. The proposed Facility will be set up in Genome Valley at Hyderabad in Andhra Pradesh.

## Opportunities

Post Genomic period offers a great opportunity to us to use the Bioinformatics techniques and develop the new drug molecule and establish the leadership in US\$ 4.0 billion Bio services market worldwide. Celestial is uniquely positioned to take the initiative.

## Concerns

Government is bringing the regulatory mechanism however, suitable infrastructure and trained personnel is still a big concern. Celestial is establishing a division to train the human resources considering all practical aspect.